# Wallace-Murray Corporation Annual Report 1972

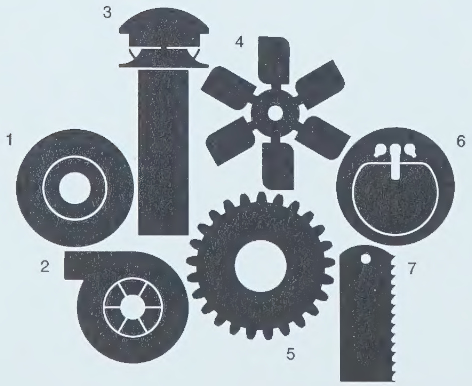
AR42

| Financial Highlights | 1972 | 1971 |
|---|---|---|
| Net Sales | $259,305,000 | $224,541,000 |
| Net Income | 9,292,000 | 6,966,000 |
| Average Number of Common Shares Outstanding | 2,975,974 | 2,971,264 |
| Primary Earnings Per Common Share | $2.53 | $1.74 |
| Average Number of Shares Outstanding, Assuming Full Dilution | 4,880,674 | 4,706,913 |
| Diluted Earnings Per Share | $1.91 | $1.46 |
| Funds from Operations | 18,509,000 | 14,953,000 |
| Depreciation | 7,366,000 | 7,648,000 |
| Capital Expenditures | 7,116,000 | 4,739,000 |
| Working Capital | 79,507,000 | 72,592,000 |
| Long-Term Debt | 62,491,000 | 66,770,000 |
| Stockholders' Equity | 89,488,000 | 83,952,000 |
| Dividends Per Share of Common Stock | $.60 | $.60 |

Diluted earnings per share assumes full conversion of $1.70 Cumulative Convertible Preference Stock, the exercise of Common Stock warrants and conversion of the Convertible Subordinated Debentures which were issued in May, 1971.

Cover: A symbolic representation of Wallace-Murray's principal families of products:

1 Grinding wheels
2 Turbochargers
3 Chimney systems
4 Automotive fans
5 Custom gears
6 Plumbingware
7 Cutting tools



# To Our Shareholders

For the second year in a row we are pleased to report that sales, net income and earnings per share were significantly ahead of the prior year. Moreover, the rate of improvement accelerated dramatically in 1972.

Primary earnings per common share for 1972 were up 45 percent to $2.53 as compared with $1.74 in 1971. On a fully diluted basis, earnings for the year were $1.91 versus $1.46 in the previous year—an improvement of over 30 percent.

Net sales were $259,305,000 as compared with $224,541,000 in 1971—an increase of over 15 percent. Net income amounted to $9,292,000, 33 percent ahead of the $6,966,000 earned in 1971.

The most important single factor in this improvement was the rapidly accelerating demand for our automotive and diesel engine products. As a result, the Schwitzer Division, which earned only modest profits the year before, made an important contribution to earnings in 1972. The record level of housing starts in the United States during the year created a strong demand for the output of our building products divisions, enabling them to report record sales and earnings. Cutting tools also showed improvement in 1972 with the Heller, Simonds Saw and Simonds Abrasive Divisions making important performance gains.

Capital expenditures of approximately $7 million were modestly below depreciation due to the extensive capital monies expended for plant and equipment in 1968, 1969 and 1970. It is anticipated, however, that capital expenditures in 1973 will move up again, substantially in excess of depreciation.

The Corporation continued its acquisition program of seeking new or complementary businesses by acquiring three modest sized businesses of importance to the Company because of their capacity, synergy or geographic location. As noted in last year's report, the Corporation acquired Rittiner Industrial Enameling, Inc. in early 1972. Rittiner makes enamelled porcelain steel products and has a plant in Bay St. Louis, Mississippi. It has provided the Eljer Division with important new additional capacity for steel bathtubs and plumbingware.

In mid-April, the Corporation acquired the Carolina Fiberglass Products Company, a manufacturer of fiberglass bathtubs and stall showers, and fiberglass pipes, tanks and exhaust systems for industrial uses. Its plant in Wilson, North Carolina has been joined with the Company's other fiberglass facility in Springfield, Ohio to form the new Fiberglass Products Division.

A third small acquisition was consummated in early 1973. The Corporation acquired Lloydaire, Limited in Toronto, Canada. Lloydaire is a manufacturer of metal registers and grills similar to the product line made by the Company's Dry Division in Texas. Its acquisition permits us to penetrate this important Canadian market.

Also during 1972 the Company moved from an equal partnership arrangement to become the majority stockholder in Lacom Componentes Industriais S.A., the Brazilian manufacturer of turbochargers. Plans call for a substantial increase in production of turbochargers and related industrial products for the South American market.

In July, 1972, the Corporation divested itself of the Fayette Tubular Products Division because it did not meet the Corporation's criteria for growth and return on investment.

The Corporation is continuing its commitment to the development of new products as is outlined in the editorial section of this report. Funds for research and development are being allocated on an accelerated basis.

In November, a major realignment of senior executive responsibility was carried out. Charles V. Myers, formerly a Group Vice President, was elected Executive Vice President of the Corporation. Mr. Myers, who had been Vice President-General Manager of the Eljer Plumbingware Division before coming to New York as a Group Vice President in 1968, will be in charge of all operations.

Richard D. Castle, who has been the Company's chief financial officer, was given the added responsibility for the Corporation's growing international interests. He was elected Senior Vice President-Finance and International Operations. In addition, two new Group Vice Presidents were elected. They are Robert J. Niehaus, formerly Vice President-General Manager of the Schwitzer Division, and John C. Orr, formerly Vice President-General Manager of the Simonds Canada Saw Division. Mr. Niehaus and Mr. Orr will report to Mr. Myers.

Earlier in the year, Joseph A. Abbott was elected Vice President-Corporate Communications. Mr. Abbott will continue to coordinate an expanding program of communication at the corporate and divisional levels with employees, customers, investors, the financial community in general, and the residents of our plant communities.

Concurrent with these executive promotions, the Company's operating divisions were re-aligned to coincide with the three principal market areas they serve, as shown on pages 38 and 39.

In December, the Board of Directors declared the regular quarterly dividend of 15 cents per share, equivalent to the dividends in the first three quarters. The total dividend for the year was 60 cents.

On behalf of the Board of Directors and Officers, we wish to take this opportunity to express our sincere appreciation for the loyalty and cooperation of our employees throughout the year. We also wish to thank our stockholders for their confidence in management, and our customers for their valued support.

F. H. Kissner
Chairman

FRRaach
F. R. Raach
President

Fred R. Raach (left), President and Chief Executive Officer, with Charles V. Myers, Executive Vice President of the Corporation.

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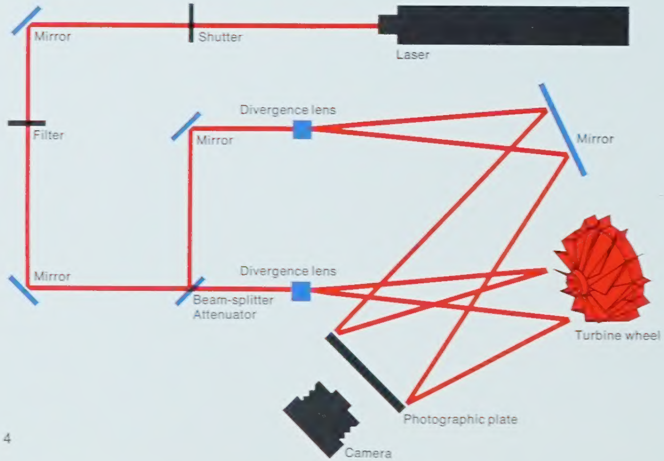
# How Wallace-Murray uses technology

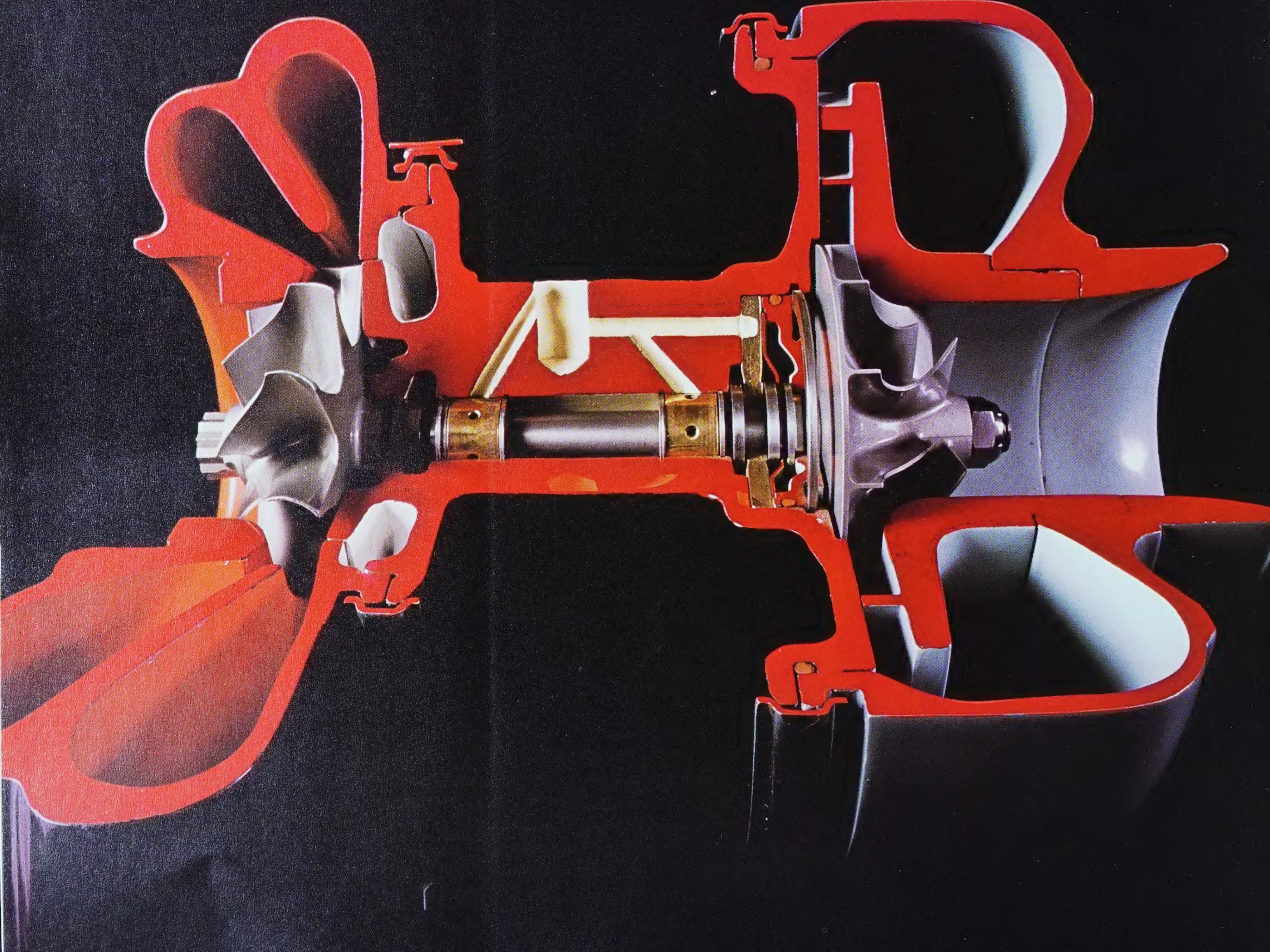
The fundamental business strategy of Wallace-Murray is to apply technology to useful, practical needs. More specifically, it is to apply related areas of technology to three related lines of activity: building products, cutting tools and power components.

Few words in our time have accumulated as many connotations as the simple term "technology." As we use it here, it has only its principal definition: the means employed to provide objects necessary for human sustenance and comfort.

And implicit in our strategy is the conviction that successful application of those objects, in the form of products such as are described on the following pages, offers real opportunity for continued, steady and profitable growth.

Photograph at right shows a laser beam illuminating the turbine wheel of a Schwitzer turbocharger. Wallace-Murray uses laser holography to make detailed studies of the wheel's stress patterns. As the diagram below shows, a laser beam of monochromatic phase coherent light is split and recaptured on a photographic plate. The resulting image shows, in three-dimensional realism, the location of small deformations caused when the wheel is subjected to intense vibration.





# The turbocharger: what does it actually do?

The purpose of the turbocharger is to improve performance, to force more air into the fuel system of an internal combustion engine. Like most good, practical devices, a turbocharger is essentially simple: a turbine wheel and a compressor wheel mounted on opposite ends of a single shaft.

The turbine wheel, which is at the left on the facing page, is driven by the exhaust gases of the engine itself—exhaust gases which otherwise would be wasted into the atmosphere. It, in turn, drives the compressor wheel, at right, which pulls in fresh air from the atmosphere, compresses it, and delivers it through the intake manifold into the engine.

The results are striking. The typical diesel engine's performance, as measured by horsepower, increases by as much as 100 percent. Fuel consumption is reduced. So is exhaust emission. So is noise level—partly because of more efficient combustion, partly because the turbine blades themselves, as they rotate, break up exhaust noise vibrations.

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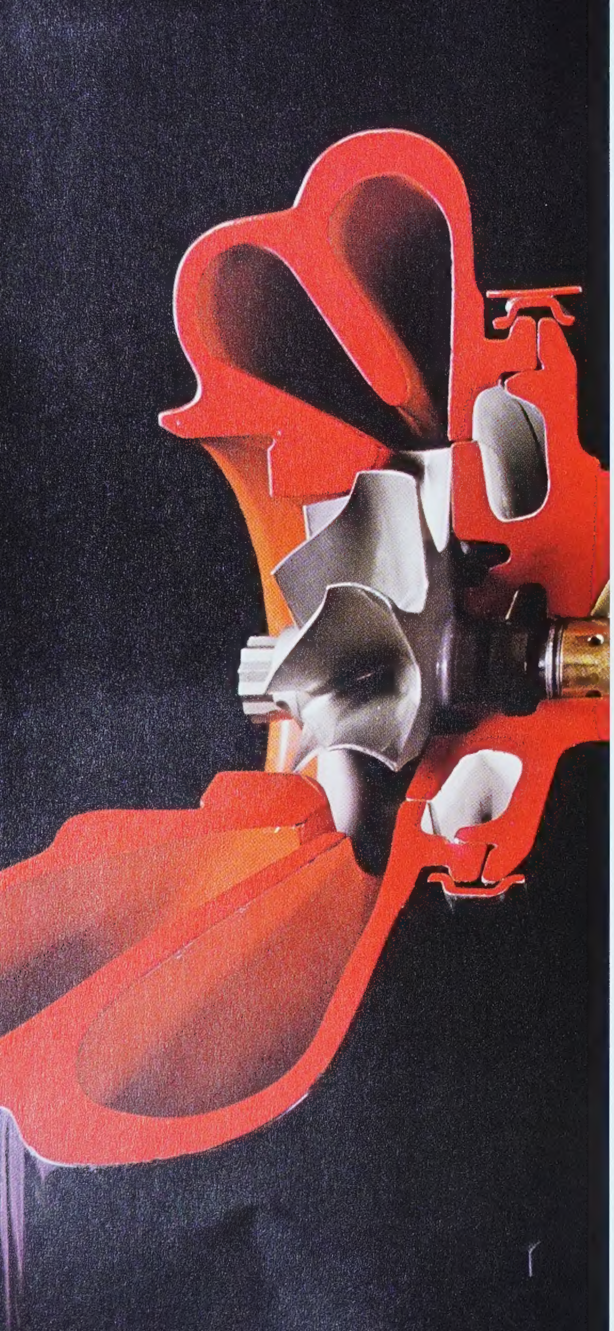
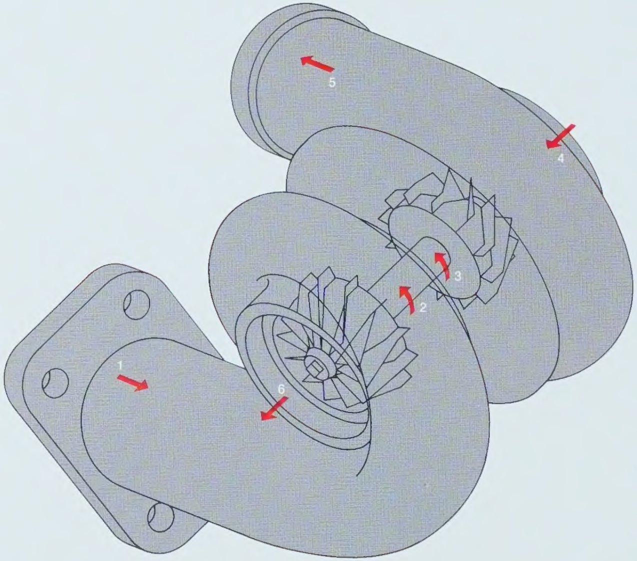
Cut-away model on opposite page reveals essential simplicity of turbocharger. Exhaust gas entering at lower left flows across turbine wheel and causes power shaft and compressor wheel, at right, to rotate and force more air into engine. Entire mechanism consists of a single moving part. Passages machined into housing above power shaft are for lubrication.

Itself small and light in weight, a turbocharger (left) can dramatically improve the performance of an engine by increasing its horsepower, providing better fuel economy and reducing exhaust temperature.



The device which accomplishes all this is itself small and compact. The smallest standard production turbocharger designed and manufactured by Wallace-Murray's Schwitzer Division weighs 18 pounds, has a 2-inch turbine wheel and is just 7 inches long. It can double the performance rating of a small farm tractor or automobile. A somewhat larger model, weighing 34 pounds and measuring 10.5 inches, will do approximately the same for a tractor-trailer truck hauling maximum legal highway loads under normal conditions and at permissible speeds.

To accomplish this requires a considerable amount of work. At highway speed—65 miles per hour—a turbo-



**1** Exhaust gas from engine enters turbine housing and expands to the atmosphere through the turbine wheel, where part of its energy is converted into mechanical work.

**2** Power shaft is supported by sleeve bearings floating in a film of oil, thus assuring long life and trouble-free operation.

**3** Air compressor wheel, made of lightweight high-strength aluminum alloy, is connected to turbocharger power shaft and rotates as integral unit.

**4** Atmospheric air is drawn into the center of wheel where centrifugal action forces it outward between the diffuser surfaces.

**5** Now compressed, air is discharged out of housing and toward engine's intake manifold. More air in engine allows more complete fuel consumption, and therefore greater horsepower output.

charger's compressor will deliver over 78,000 cubic feet of air per hour into the diesel engine of that large highway truck, driven by a turbine which will be operating in the range of 80,000 rpm—at temperatures around 1200°F., and in an extremely corrosive atmosphere. This is at sea level. At higher altitudes, where all kinds and sizes of naturally aspirated engines lose efficiency, the turbine wheel will accelerate still further in order to compensate in part for the lower density of the ambient air.

And, in addition, most Schwitzer turbochargers outlive the vehicles on which they are mounted. They are warranted for 100,000 miles but many in fact provide 300,000 to 500,000 miles of performance. The only maintenance which a turbocharger normally requires is periodic cleaning and inspection. Should additional service be necessary, it can generally be performed within the customer's own shop with just a few simple tools; a typical small Schwitzer turbocharger consists of just 15 major parts.

Schwitzer is one of the largest manufacturers of turbochargers in the United States. Together with its licensees around the world, it has produced more than one million turbochargers for truck, bus and off-highway diesel engines, far more than any other manufacturer. It continues pioneering the development, technical improvement and application of turbochargers on marine engines, farm and construction equipment, highway truck engines and, most recently, on conventional passenger automobiles. It has introduced special kits which permit the addition of a turbocharger to certain existing automobiles. It is currently working on plans that envisage the inclusion of a turbocharger as original equipment on future models of popular automobiles—particularly as a performance option. Turbocharging a passenger vehicle has the potential to restore and indeed enhance engine performance which the presently projected emission control devices, designed to meet the new Federal standards, may necessarily reduce.

Meanwhile, diesel engines continue to represent the largest application for turbochargers. Approximately

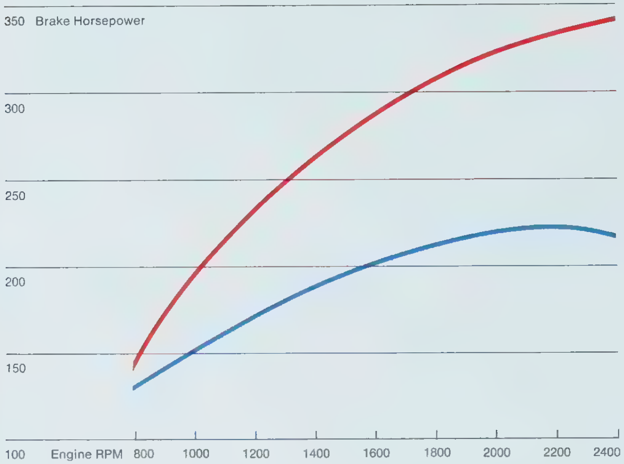


Chart at left shows comparison of the increased horsepower achieved by turbocharging a standard diesel engine. The red line indicates the turbocharged engine and the blue line an unturbocharged model. Similar tests on automotive engines have shown important acceleration gains which lend credence to possible future application on passenger vehicles.

50 percent of all such engines now in use are turbocharged. Within the next three years, according to industry forecasts, virtually all new heavy-duty diesel engines will carry turbochargers—if only to comply with environmental regulations. Merely to satisfy this demand from current customers, Schwitzer will have to double its output.

Schwitzer is also a leader in the development of other automotive components, one of which is a versatile combination of fan and fan drive. The function of the fan, of course, is to cool the engine while it is in operation. In practice, however, steady driving at normal highway speed forces enough air across the radiator fins to accomplish this purpose; the fan merely turns, saps engine power and produces noise. One of Schwitzer's solutions is a thermostatically controlled fluid coupling fan clutch. One of its components is a sensor which monitors the temperature of the air leaving the radiator core. When it rises to a predetermined temperature, the fan begins to operate; when the engine is adequately cooled, the fan slows down. Result: less noise, better mileage, and improved temperature control with improved engine life.

1 Diesel engines, such as those on heavy-duty trucks, are now principal users of turbochargers. In addition to the prime role of increasing power and efficiency, turbochargers suppress emission of exhaust smoke by providing more complete fuel combustion.

2 Off-highway vehicles of all kinds—construction and earth-moving equipment, tractors, boats—constitute another major, growing market for turbochargers.

3 Passenger automobiles remain a great challenge. Wallace-Murray, which has more experience with turbochargers than any manufacturer in the United States, is continuing its development work for this application.

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CATERPILLAR
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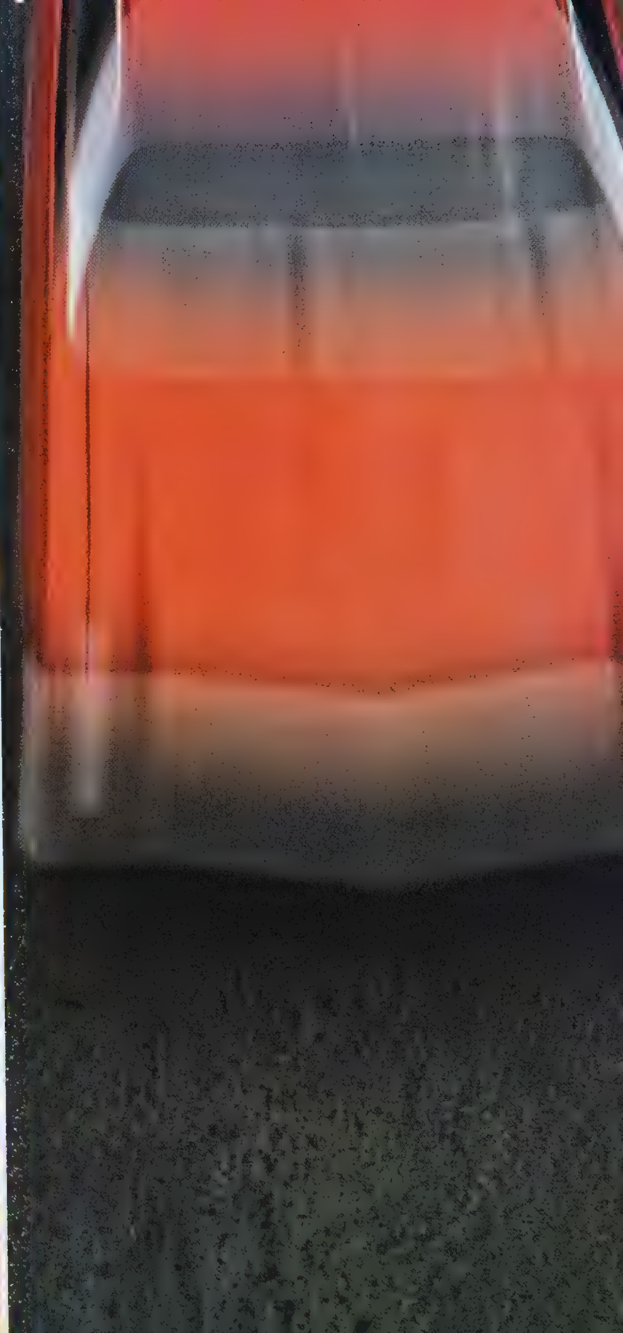

# Technology comes to the aid of technology

One of the most valuable achievements of technical development in recent years has been the creation of new specialty metal alloys. But these alloys, while making possible new, more useful products, have created problems of their own. Stronger, harder steels are correspondingly harder to machine and grind. To this man-made problem Wallace-Murray has found a man-made solution: the Simonds EMRALD® wheel, a new abrasive grinding wheel which is itself alloyed.

A grinding wheel in action is a true cutting tool. Every one of the thousands of abrasive grains bonded into the wheel consists of dense clusters of crystals, each of which removes a particle of metal as it comes into contact with it.

In the EMRALD wheel, the grains consist of a new substance: aluminum oxide alloyed with vanadium. One of the physical properties of this alloy is a different crystalline structure, harder and stronger. This, in turn, permits the EMRALD wheel to last longer, to stay sharper longer, to cut more freely, and remove more metal at

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On opposite page, an EMRALD wheel mounted on a Harvill Cam Grinder is caught in full action as it performs flat surface grinding on a punch which will be used as part of a new, high speed, numerically-controlled press.

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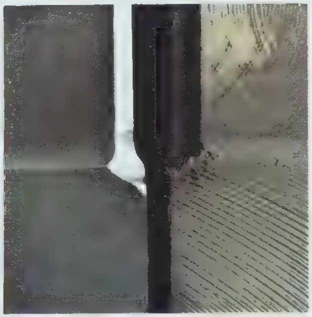
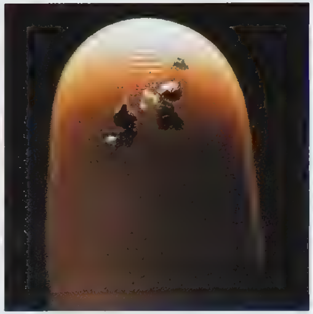


1 Finished punch, one inch square at base, will be used on sheet metal, and is therefore made of tough, stress-resistant A-2 steel, hardened to 60 Rockwell C.

2 Comparison close-ups show critical area of the punch before and after grinding operation with EMRALD wheel.



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a single pass. Used on the same material and under the same conditions as a conventional aluminum oxide wheel, the EMRALD wheel requires less power to do the same work. This represents a saving in production costs. Moreover, the EMRALD wheel generates less heat, thereby preventing surface damage in the material ground. It is in part because of these properties that the EMRALD wheel has been selected to perform the precision grinding on critical parts of the epitrochoidal chamber of the new Wankel-type automotive engine.

The market to which the EMRALD wheel is directed is large —$30 to $50 million a year, according to industry estimates. Although grinding is virtually universal in all industries which use metal, it is in each instance only one part of an intricate, tightly engineered production system. The alteration of that system by the introduction of a new component such as an improved grinding wheel is not lightly undertaken. By the same token, however, once proven superior, accepted and integrated into the production system, such products can anticipate long, useful application and repeat business.

The development of the EMRALD wheel has taken time—several years of research and two more years of field testing and demonstration. First trial shipments of the product began in November 1971. In the 15 months since then the EMRALD wheel has found hundreds of applications, in the manufacturing of products ranging from ball bearings to critical railroad engine parts.

1 Individual grains of alloyed EMRALD wheel abrasive (far left) shown here measure approximately 1/10″ each. Even finer sizes—1/60″ to 1/120″—are used in precision applications.

2 Test measures individual grain's friability, i.e. resistance to fracture under pressure. EMRALD is stronger and harder than abrasives previously used on very hard materials.

3 Epitrochoidal chamber of the new Wankel automotive engine must have an extremely close fit with the rotor which spins inside it. In evaluation tests, the EMRALD wheel has consistently performed better than any conventional abrasives in grinding the critical interior surface.

4 Line up of finished punches shown in production on previous page. Cylindrical section, also ground by EMRALD wheel, will fit into body of the press.

5 Starting at upper left, end mill cutter, ball bearing, tap, and roller bearing represent basic applications of new, harder and wear-resistant metals. These metals are increasingly being used for their greater efficiency and longer life. In turn, they have created the need for improved abrasives such as the EMRALD wheel.

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METALBESTOS
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# A new solution to an ancient problem

The chart below is the mathematical expression of what happens—or should happen—when a chimney or venting system works properly. Developed by engineers of Wallace-Murray's William Wallace Division, it is the first successful attempt to apply technical discipline to a problem as old as the first smoke-filled cave.

There seems little complexity in designing a chimney, whether it serves a single living room fireplace, the multiple-unit heating system of a high rise office building or a sprawling industrial plant. Yet fireplaces sometimes fill living rooms with smoke, and complicated venting systems sometimes turn out to be inadequate or over-engineered.

The technical function of a chimney or vent is to remove, continuously and completely, the waste products of fuel combustion. Smoke is one of these products, so are carbon dioxide and monoxide, water vapor, nitrogen. If the system is properly designed, the force of gravity will itself do the work: being hotter and therefore lighter than the surrounding air, the waste gases simply rise up and out.

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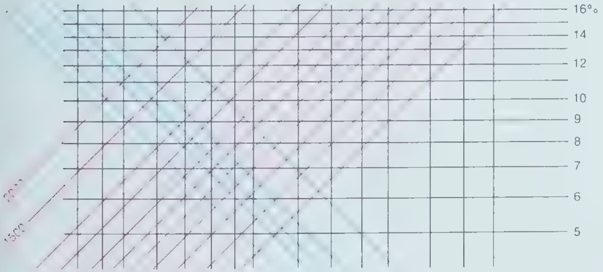
Through its William Wallace Division, Wallace-Murray produces a complete line of Metalbestos venting and chimney products such as those illustrated on the opposite page. Versatile, rugged and engineered for ease of installation, they can be designed into systems to satisfy both industrial and residential applications.



By plotting all significant variables into a single graph, at left, of which this is a detail, Metalbestos engineers have provided architects and builders with a simple, reliable method of solving design problems of virtually any complex heating system.

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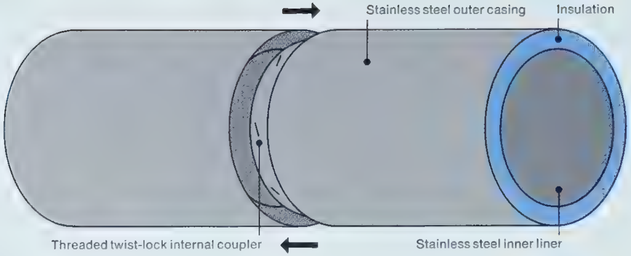
Stainless steel outer casing
Insulation
Threaded twist-lock internal coupler
Stainless steel inner liner

Diagram, at left, illustrates the double-walled construction of Metalbestos stainless steel chimney which contains its own required insulation. Pipe sections have threaded internal couplers which can be locked together with a 1/8th turn, for sturdy connection, smooth appearance and simplicity of installation.

As the heated gases rise, however, they transmit some of their heat to the vent or chimney itself. Classically, the solution has been to insulate the system with stone, brick or masonry. It worked effectively but it was space-consuming and expensive to construct. More than a decade ago, Wallace-Murray introduced another solution: the first factory-built, double-walled chimney. Over the years, designs and materials were improved—to the extent that the newest Metalbestos® stainless steel chimney provides, within its one inch of insulation, heat resistance equivalent to 17 inches of masonry. It is designed to be freestanding; the outer casing carries the structural load so that the inner pipe remains free to expand without stress. The light inner wall can heat up quickly to produce and maintain strong, steady updraft. Yet no external insulation is required. The chimney can readily be assembled by one man, without special tools and in one-sixteenth the time required to put up a conventional brick chimney.

Other Metalbestos® chimneys and venting system components are designed specifically for commercial and industrial applications, for apartment complexes, hotels and other institutions where the great number and variety of heat sources create special, individual problems. As the world's largest and most experienced manufacturer of metal chimneys and gas venting systems, William Wallace maintains a field staff of technical specialists who work directly with architects and builders here and abroad. Its engineering department provides design services for special applications; its laboratory in Belmont, California is one of the most advanced in the world.

1 Residential Metalbestos vents and chimneys present neat appearance and provide durable, safe operation. By quickly creating a strong, stable draft, they also permit efficient operation of appliances, or of a living room fireplace.

2 Inside, chimney system is compact and lightweight, requiring much less space and structural support than masonry or other materials.

3 For industrial and commercial applications, Metalbestos produces a special line of pipes and fittings ranging in inside diameter from 10" to 48".

4 New high-rise apartment complex in Washington, D.C. uses Metalbestos system to accommodate the needs and requirements of multiple, separate heating sources.

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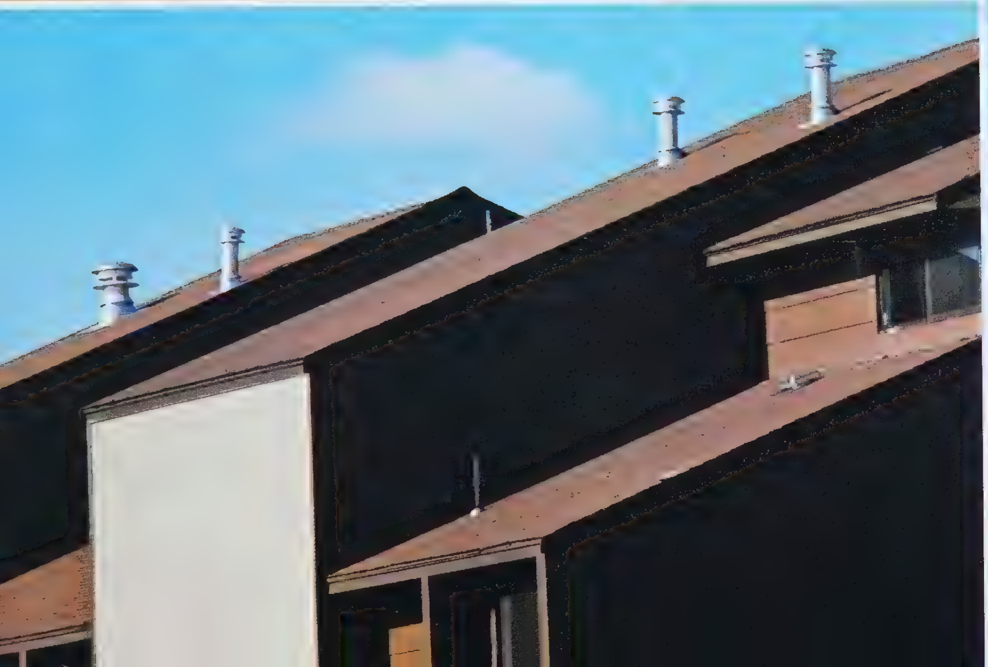

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# Specialty metals: remedies for nature's oversights

"In addition to resistance to high temperature without substantial distortion and loss of mechanical strength, (the alloy) must withstand the action of various atmospheres, tending chemically to degrade . . . including oxidizing atmospheres, reducing atmospheres and carburizing atmospheres, and changes from one to the other. . ."

This description is drawn from U. S. Patent No. 2,955,934. It was issued to Wallace-Murray's Simonds Steel division because it was able to create an alloy—RA 333—which predictably and repeatedly was able to satisfy all of these requirements.

Alloy RA 333 is composed of approximately 25 percent chromium, 45 percent nickel, 3 percent each of molybdenum, tungsten and cobalt, and small traces of manganese, silicon and carbon—not a simple combination, nor one to be found naturally occurring.

Developed to satisfy a specific need, it is now being used for a variety of applications such as radiant burner tubes, gas turbines, and the structural parts of industrial heat treatment furnaces. Not only is it able to withstand repeated heatings to 1,800° F. in the corrosive atmospheres specified, but it does so within the limits of practical economic reality.

This same practical consideration underlies another family of Simonds specialty metals with an entirely different set of properties: soft magnetic alloys. One of these properties is that their permeability to magnetism gradually changes with the rise and fall of temperature. This

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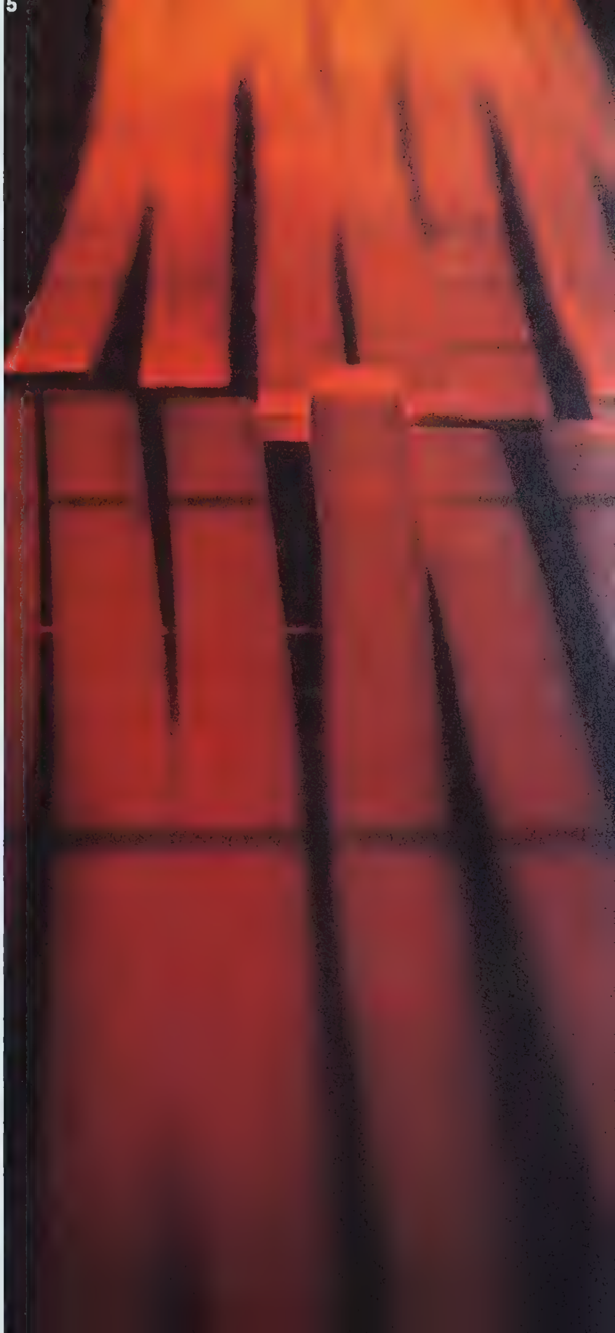
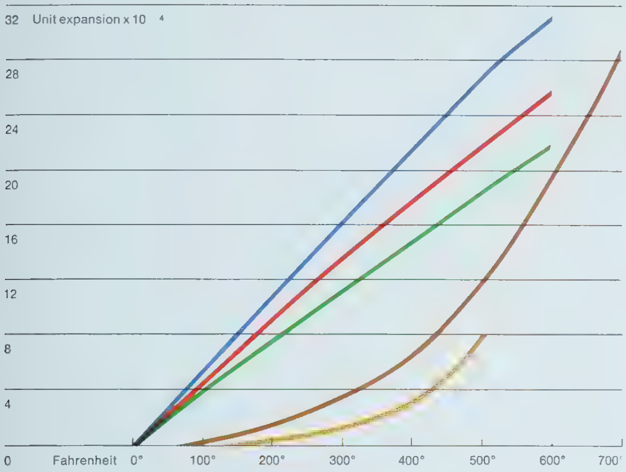
Heated bar of alloyed steel, on opposite page, is rolled to desired thickness at Simonds Steel's plant in Lockport, N. Y. Facilities at this location—arc and induction furnaces, equipment for consumable electrode melting, precise spectrographs, gas analysis units and hot and cold rolling mills—have been designed to turn out specialty metals under strict conditions of quality control.





Graph at left shows thermal expansion curves for a range of Simonds controlled expansion alloys. Nickel and iron are the basis of most materials in this family, but rate of change—a property which will dictate appropriate applications—can be altered by the addition of chromium, cobalt and other metals.

The colored lines indicate:

| | |
|---|---|
| Blue | 50% Nickel-Iron |
| Red | 45% Nickel-Iron |
| Green | 43% Nickel-Iron |
| Brown | Invar |
| Yellow | Super Invar |

is a laboratory curiosity; it is also the essential property which makes possible such instruments as voltage regulators, alternators, speedometers and watt-hour meters. All of these instruments are activated and regulated by a magnetic field which itself alters in intensity with temperature change. The function of the alloy is to compensate for this change. Placed across the magnetic gap, it will variably shunt effective flux lines away from the gap in accordance with the temperature, so that the active flux remains constant at all times. Furthermore, the rate at which the change occurs can be predetermined, and the reaction is continuous and completely reversible.

A characteristic of metals is that they expand or contract under temperature change. This property is not always desirable, but under precisely controlled technological discipline it can be made to perform many vital tasks. Simonds produces a wide range of controlled expansion alloys for use as structural components of precision optical systems and electronic relay equipment, circuit breakers, balance wheels and tuning forks for timing devices, transducer rings, and heat control devices of all kinds, including the familiar, dependable household thermostat.

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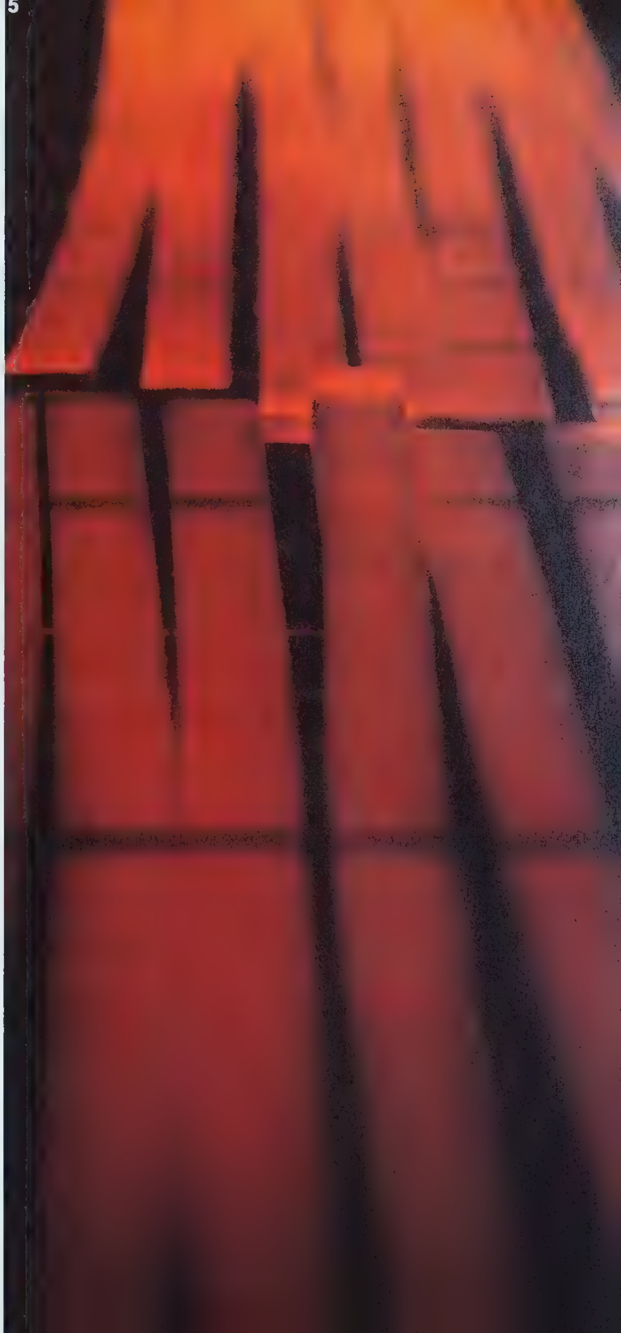
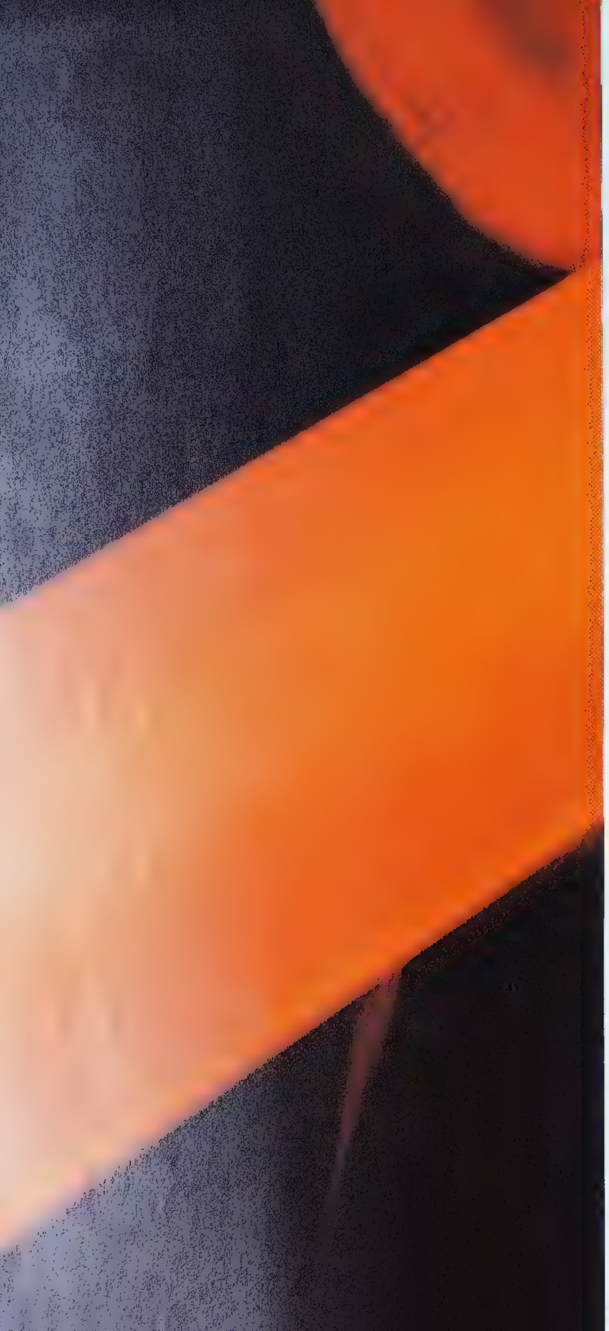
Typical of sophisticated equipment used is this modern dilatometer, shown at left, which provides a paper printout of the precision measurement of the expansion of metals over the broad temperature range from −150° F to 3000° F.





Perhaps the most widely used specialty metals are tool steels. Designed for cutting, shearing, forming, drawing, extruding, hammering and rolling operations, they require toughness, hardness, high wear and temper resistance. Simonds produces a wide range of tool steels for all these applications at its modern steel mill in Lockport, New York.

Simonds has also developed and secured a patent for a special steel which, within a single piece of material, incorporates two sets of properties usually considered mutually exclusive. The immediate application for this alloy is an improved new high-speed bandsaw which is manufactured by Wallace-Murray's Simonds Saw Division. Ideally, a bandsaw blade should have extremely hard teeth for efficient, clean cutting; the rest of the blade, however, should be more flexible, more ductile and therefore better able to withstand fatigue under extended operation. The Simonds process, based on selective, predetermined carburization and a single continuous one-temperature heat treatment, permits all of these characteristics to be uniformly controlled and regularly achieved.

Last year's Annual Report described still another Simonds specialty metal, a heat-resistant, corrosion-resistant alloy developed specifically for use in the exhaust valves of heavy-duty internal combustion engines. At the time, the product had just successfully passed its laboratory tests and was heading into field trials. These, too, have now been passed successfully. The new alloy is being used by a major United States manufacturer of diesel engines. In addition, it has been accepted for standard replacement valves and it is presently being evaluated by a number of European manufacturers, including Volkswagen, Volvo, Citroën and Mercedes.

Like a superior grinding wheel, a turbocharger, or a better chimney system, a new alloy is not susceptible to impulse buying. Given the nature of the need such a product satisfies and the markets it serves, it takes time to be proved out and accepted. But once this is done, it tends to enjoy a durable, profitable life.

1 Telephone receivers could not work without the aid of a special metal alloy which, thanks to its unique magnetic properties, permits the diaphragm to respond to electric impulse.

2 Another familiar, dependable instrument which relies on a specialty metal is the thermostat. A bi-metallic coil or strip composed of high and low controlled expansion alloy is the heart of its regulating mechanism.

3 Constant calibration of an electric watt-hour meter is maintained over normal temperature changes by the inclusion in its circuitry of a soft, thermo-magnetic alloy.

4 Simonds tool steels, with specially correlated characteristics of hardness, strength, wear and temper resistance, find extensive use in cutting tools.

5 Heat-resistant alloys have many applications, but one of the most logical is in the construction of heat treating furnaces themselves, where they must constantly withstand severe temperature changes under corrosive conditions.

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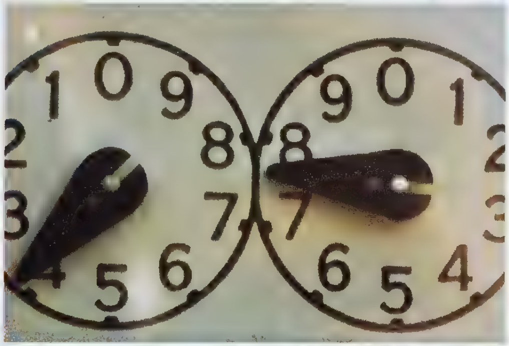
60
70
80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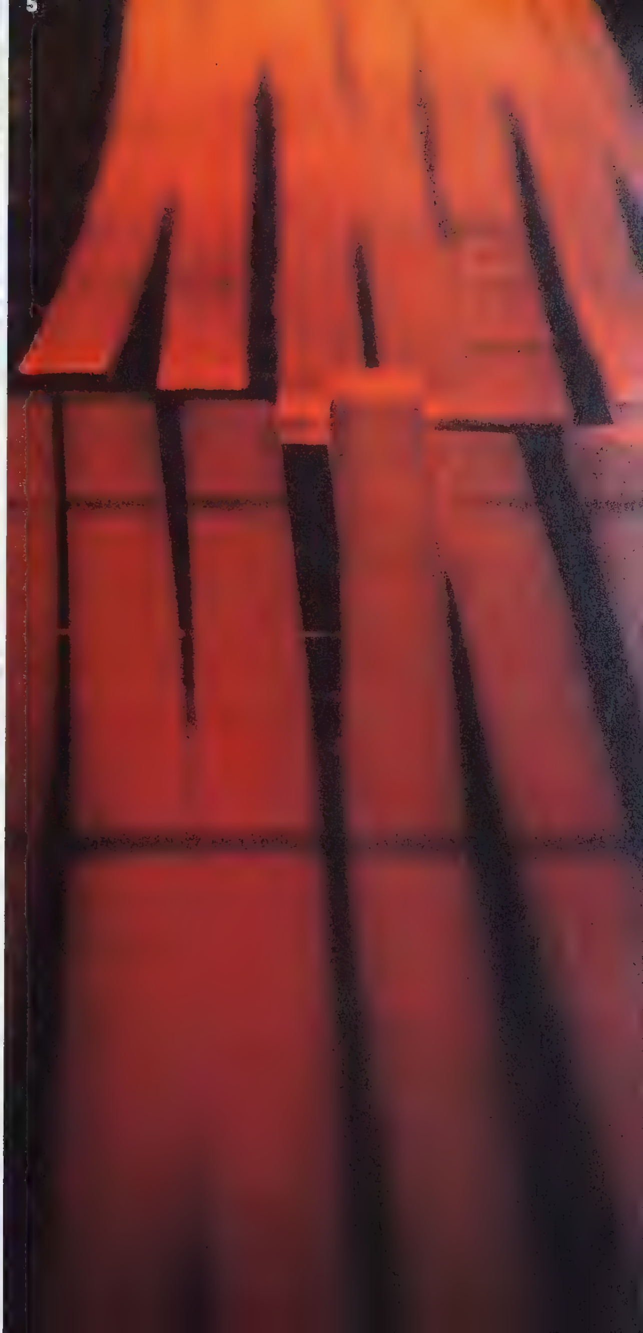
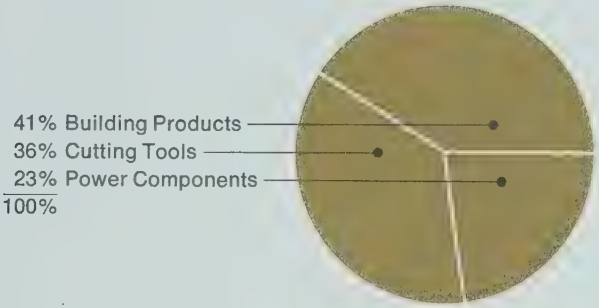
9 0 1 2 3 4 5 6 7 8



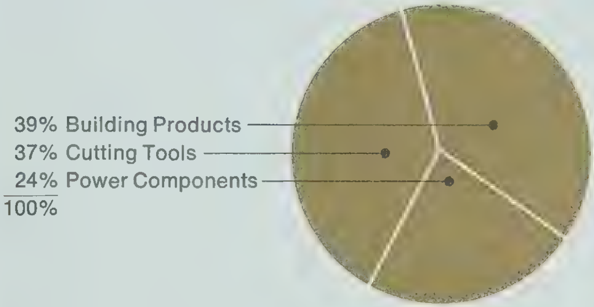
# Financial Review

## Sales

### 1972

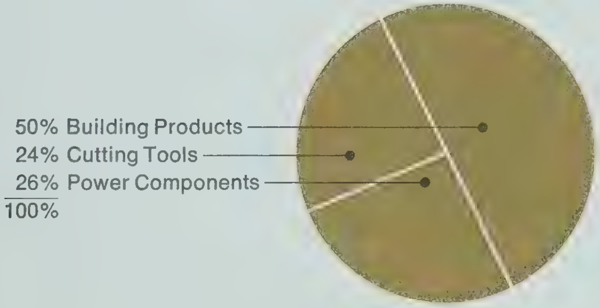


### 1971

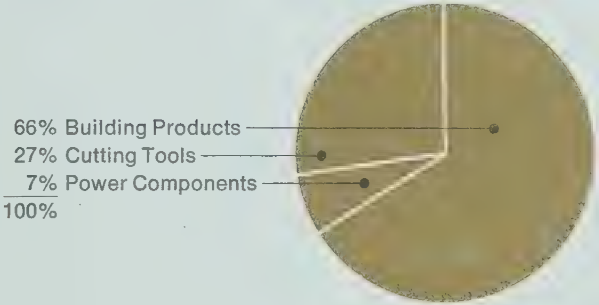


## Earnings

### 1972



### 1971



Purposeful pattern is traced by cutting edges of a variety of Simonds saws.

# Consolidated Statements of Income
# Consolidated Statements of Retained Earnings

For the Years Ended December 31, 1972 and 1971

| **Income** (Note 1) | 1972 | 1971 |
|---|---|---|
| **Net Sales** | $259,305,000 | $224,541,000 |
| Cost of sales | 203,904,000 | 176,916,000 |
| **Gross Profit** | 55,401,000 | 47,625,000 |
| Selling, general and administrative expenses | 33,743,000 | 30,534,000 |
| **Income from Operations** | 21,658,000 | 17,091,000 |
| Interest expense | 4,593,000 | 4,670,000 |
| Other (income), net | (327,000) | (671,000) |
| | 4,266,000 | 3,999,000 |
| **Income before Federal and Foreign Income Taxes** | 17,392,000 | 13,092,000 |
| Federal and foreign income taxes (Note 4) | 8,100,000 | 6,126,000 |
| **Net Income** | $ 9,292,000 | $ 6,966,000 |
| Per share of Common Stock (Note 3) | | |
| Primary earnings | $2.53 | $1.74 |
| Diluted earnings | $1.91 | $1.46 |

| **Retained Earnings** | 1972 | 1971 |
|---|---|---|
| Balance, beginning of year: | | |
| As previously reported | $ 59,810,000 | $ 56,612,000 |
| Adjustments to opening balance for poolings of interests (Note 2) | (24,000) | (160,000) |
| Cost of settlement of plumbing fixture anti-trust suit, net of $1,613,000 of income tax benefits (Note 8) | (1,480,000) | (1,480,000) |
| As restated | 58,306,000 | 54,972,000 |
| Net income | 9,292,000 | 6,966,000 |
| Cash dividends: | | |
| Preference and Preferred Stock | (1,768,000) | (1,783,000) |
| Common Stock ($.60 per share in 1972 and in 1971) | (1,774,000) | (1,709,000) |
| Par value of Common Stock issued in connection with a prior pooling of interests | — | (103,000) |
| Cost of Common Stock warrants acquired | (9,000) | (37,000) |
| Balance, end of year (Note 5) | $ 64,047,000 | $ 58,306,000 |

The accompanying notes to consolidated financial statements are an integral part of these statements.

# Consolidated Statements of Changes in Financial Position

For the Years Ended December 31, 1972 and 1971

Wallace-Murray Corporation and Subsidiaries

| | **Changes in Financial Position** | 1972 | 1971 |
|---|---|---|---|
| **Source of Funds** | Net income | $ 9,292,000 | $ 6,966,000 |
| | Non-cash charges: | | |
| | Depreciation | 7,366,000 | 7,648,000 |
| | Deferred Federal income taxes | 1,851,000 | 339,000 |
| | Total from operations | 18,509,000 | 14,953,000 |
| | Proceeds from long-term debt | — | 10,000,000 |
| | Reduction of investments | 1,057,000 | 490,000 |
| | Sale of properties | 1,660,000 | 96,000 |
| | Other, net | 845,000 | 277,000 |
| | | 22,071,000 | 25,816,000 |
| **Application of Funds** | Additions to properties | 7,116,000 | 4,739,000 |
| | Dividends paid | 3,542,000 | 3,492,000 |
| | Purchase of treasury stock and Common Stock warrants | 219,000 | 144,000 |
| | Reduction of long-term debt | 4,279,000 | 6,166,000 |
| | | 15,156,000 | 14,541,000 |
| | **Increase in Working Capital** | $ 6,915,000 | $ 11,275,000 |
| **Changes in Working Capital** | **Increase (Decrease) in Current Assets:** | | |
| | Cash and temporary cash investments | $ (2,315,000) | $ 6,767,000 |
| | Receivables | 4,941,000 | 4,046,000 |
| | Inventories | 4,388,000 | 6,241,000 |
| | Prepaid expenses | 43,000 | 4,000 |
| | | 7,057,000 | 17,058,000 |
| | **Increase (Decrease) in Current Liabilities:** | | |
| | Current portion of long-term debt | (495,000) | 711,000 |
| | Accounts payable and accrued liabilities | 1,607,000 | 4,886,000 |
| | Income taxes | (970,000) | 186,000 |
| | | 142,000 | 5,783,000 |
| | **Increase in Working Capital** | $ 6,915,000 | $ 11,275,000 |

The accompanying notes to consolidated financial statements are an integral part of these statements.

## Consolidated Balance Sheets

December 31, 1972 and 1971

| **Assets** | 1972 | 1971 |
|---|---|---|
| **Current Assets:** | | |
| Cash | $ 3,311,000 | $ 4,863,000 |
| Temporary cash investments, at cost, which approximates market | 11,337,000 | 12,100,000 |
| Accounts receivable, less reserves of $1,138,000 in 1972 and $1,061,000 in 1971 | 33,735,000 | 28,794,000 |
| Inventories, at the lower of cost (determined on the first-in, first-out basis) or market: | | |
| Finished goods | 20,049,000 | 19,499,000 |
| Work in process | 21,782,000 | 18,014,000 |
| Raw materials and supplies | 18,474,000 | 18,404,000 |
| | 60,305,000 | 55,917,000 |
| Prepaid expenses | 695,000 | 652,000 |
| Total current assets | 109,383,000 | 102,326,000 |
| **Plant and Equipment,** at cost: | | |
| Land | 3,970,000 | 3,841,000 |
| Buildings | 38,989,000 | 38,854,000 |
| Machinery and equipment | 89,533,000 | 85,550,000 |
| | 132,492,000 | 128,245,000 |
| Less—Accumulated depreciation | 68,852,000 | 62,695,000 |
| | 63,640,000 | 65,550,000 |
| **Investments and Other Assets** | 3,341,000 | 5,238,000 |
| **Intangibles** (Note 1) | 7,903,000 | 7,903,000 |
| | $184,267,000 | $181,017,000 |

The accompanying notes to consolidated financial statements are an integral part of these balance sheets.

| **Liabilities and Stockholders' Equity** | 1972 | 1971 |
|---|---|---|
| **Current Liabilities:** | | |
| Current portion of long-term debt | $ 4,109,000 | $ 4,604,000 |
| Accounts payable | 9,052,000 | 9,314,000 |
| Accrued payrolls and employee benefits | 10,720,000 | 8,994,000 |
| Accrued Federal and foreign income taxes | 780,000 | 1,750,000 |
| Other accrued liabilities | 5,215,000 | 5,072,000 |
| Total current liabilities | 29,876,000 | 29,734,000 |
| **Long-Term Debt** (Note 5): | | |
| 6½ % Senior Notes, due 1974-1988 | 33,400,000 | 35,600,000 |
| 6⅞ % Subordinated Notes, due 1974-1988 | 10,350,000 | 11,010,000 |
| 6½ % Convertible Subordinated Debentures, due 1979-1991 | 10,000,000 | 10,000,000 |
| 6%-8% Capitalized Long-Term Lease Commitments, due 1974-1989 | 6,620,000 | 6,950,000 |
| Other | 2,121,000 | 3,210,000 |
| | 62,491,000 | 66,770,000 |
| **Deferred Federal Income Taxes** (Note 4) | 2,412,000 | 561,000 |
| **Stockholders' Equity** (Notes 1, 2, 6 and 7): | | |
| $1.10 Cumulative Preferred Stock | 5,724,000 | 6,010,000 |
| $1.70 Cumulative Convertible Preference Stock (Liquidating value at December 31, 1972—$23,522,000) | 6,361,000 | 6,384,000 |
| Common Stock | 11,169,000 | 11,147,000 |
| Capital Surplus | 2,187,000 | 2,105,000 |
| Retained Earnings | 64,047,000 | 58,306,000 |
| Total Stockholders' Equity | 89,488,000 | 83,952,000 |
| | $184,267,000 | $181,017,000 |

# Consolidated Statements of Capital Stock and Capital Surplus

For the Years Ended December 31, 1972 and 1971

| | Capital Stock | | | |
|---|---|---|---|---|
| | Preferred Stock (a) | Preference Stock (b) | Common Stock (c) | Capital Surplus |
| Balance of outstanding shares on January 1, 1971, as previously reported, net of treasury shares | $6,172,000 | $6,393,000 | $10,624,000 | $2,049,000 |
| Par value of 109,000 common shares issued in connection with poolings of interests (Note 2) | | | 409,000 | |
| Par value of 27,543 common shares issued in connection with a prior pooling of interests | | | 103,000 | |
| Conversion of 1,247 shares of preference stock into 2,119 shares of common stock | | (9,000) | 8,000 | 1,000 |
| Purchase of 8,088 shares and retirement of 9,228 shares of preferred stock | (162,000) | | | 54,000 |
| Exercise of warrants to acquire 660 shares of common stock | | | 3,000 | 1,000 |
| Balance, December 31, 1971 as restated | 6,010,000 | 6,384,000 | 11,147,000 | 2,105,000 |
| Conversion of 3,022 shares of preference stock into 5,137 shares of common stock | | (23,000) | 19,000 | 4,000 |
| Purchase of 14,274 shares and retirement of 9,228 shares of preferred stock | (286,000) | | | 76,000 |
| Exercise of warrants and stock options to purchase 710 shares of common stock and sale of 1 share of common stock | | | 3,000 | 2,000 |
| Balance, December 31, 1972, net of treasury shares | $5,724,000 | $6,361,000 | $11,169,000 | $2,187,000 |
| Shares authorized | 463,088 | 1,420,082 | 12,000,000 | |
| Shares outstanding | 286,213 | 848,184 | 2,978,301 | |
| Shares in treasury | 45,979 | 14,200 | 208,801 | |

(a) $1.10 Cumulative Preferred Stock, no par value, stated at $20.00 per share

(b) $1.70 Cumulative Convertible Preference Stock, no par value, stated at $7.50 per share

(c) Common Stock, $3.75 par value

The accompanying notes to consolidated financial statements are an integral part of these statements.

## 1. Summary of Significant Accounting Policies

**Principles of Consolidation:** The consolidated financial statements include the accounts of the Company and all majority owned subsidiaries. All significant intercompany transactions have been eliminated. Intangibles, which represent the cost of investments in businesses acquired prior to November 1, 1970 in excess of amounts assigned to tangible assets, are not being amortized. In the opinion of management, there has been no diminution in value.

**Translation of Foreign Currencies:** Assets and liabilities of foreign subsidiaries are translated into U.S. dollars at year-end exchange rates, except that fixed assets (and related depreciation) are translated at rates prevailing at dates of acquisition. Income and expense items (other than depreciation) are translated at the average rates of exchange prevailing during the year. Translation gains and losses arising from major currency revaluations are immaterial and are included in income.

**Depreciation:** Depreciation is computed principally on the straight-line method for financial reporting purposes and on accelerated methods for tax purposes.

**Research and Development Costs:** Expenditures for plant start-up, research and development, advertising and promotion are charged to income in the year in which such costs are incurred.

**Investment and Job Development Credits:** Investment and job development credits, which are not material in amount, are recorded as a reduction of the provision for Federal income taxes in the year in which the related assets are placed in service.

**Tax on Unremitted Earnings of Subsidiaries:** U.S. income taxes have not been provided for $13,664,000 of unremitted earnings at December 31, 1972 of subsidiaries operating outside the United States (principally in Canada) since such earnings are permanently invested in those operations and are not expected to be remitted to the Company.

**Pensions:** The Company and its subsidiaries have a number of pension plans covering substantially all of their employees. The total pension expense, which includes, as to certain of the plans, amortization of prior service cost over periods ranging from 11 to 40 years, was approximately $4,479,000 in 1972 and $3,950,000 in 1971. The Company's policy is to fund pension cost accrued. The actuarially computed value of vested benefits as of the most recent actuarial review, with respect to certain of the plans, exceeded the total of the applicable pension funds by approximately $7,146,000.

## 2. Acquisitions

During 1972, 109,000 shares of Common Stock were exchanged for the net assets of the Carolina Fiberglass Products Company and Rittiner Industrial Enameling, Inc. These exchanges have been accounted for as poolings of interests and, accordingly, the accompanying financial statements include these acquisitions for all periods.

## 3. Earnings Per Share

Primary earnings per common share were computed by dividing net income, after deducting all preferred and preference dividends, by the average number of common shares outstanding during the period.

Diluted earnings per share were computed after deducting only $1.10 Cumulative Preferred dividends from net income and assuming full conversion of the $1.70 Cumulative Convertible Preference Stock, conversion of the Convertible Subordinated Debentures and exercise of Common Stock warrants.

The exercise of outstanding stock options has not been reflected in the above computations as the effect thereon is not significant.

## 4. Income Taxes

The use of accelerated depreciation for tax purposes results in tax deferrals which are included in deferred income taxes and amounted to $486,000 in 1972 and $339,000 in 1971. In addition, in 1972, the deferred tax benefit of the antitrust litigation became a current deduction for Federal income tax purposes (Note 8).

The income tax provision includes foreign taxes of $1,270,000 in 1972 and $1,064,000 in 1971.

## 5. Long-Term Debt

Other Long-Term Debt at December 31 was as follows:

| | 1972 | 1971 |
|---|---|---|
| *Other:* | | |
| 6½% Subordinated Debentures, due 1974-1981 | $1,179,000 | $1,310,000 |
| Cost of settlement of plumbing fixture anti-trust suit at prime rate, due 1974 (Note 8) | 833,000 | 1,741,000 |
| 6½%-7% Mortgage Notes, due 1974-1983 | 109,000 | 159,000 |
| | $2,121,000 | $3,210,000 |

In May, 1971 the Company sold in a public offering, $10,000,000 of 6½% Convertible Subordinated Debentures due May 1, 1991. The debentures are convertible into Common Stock at $22.00 per share and require annual sinking fund payments of $625,000 commencing 1979. Under the most restrictive provisions of the long-term debt agreements retained earnings of $17,111,000 were unrestricted as to the payment of cash dividends or repurchase of stock as of December 31, 1972. The agreements and the Company's Certificate of Incorporation also contain working capital, debt and various other restrictions. Annual maturities of long-term debt are approximately $4,000,000 in each of the next five years.

## 6. Stock Options

Following is a summary of changes during 1972 in outstanding options to purchase Common Stock:

| | Shares Subject to Option | Option Price | |
|---|---|---|---|
| | | Per Share | Total |
| Beginning | 150,600 | $14.50 to $23.3125 | $3,021,000 |
| Granted | 37,450 | $21.6875 to $22.00 | 814,000 |
| Exercised | (50) | $20.00 | (1,000) |
| Terminated | (13,500) | $19.25 to $21.6875 | (271,000) |
| Ending | 174,500 | $14.50 to $23.3125 | $3,563,000 |

Options to purchase 58,300 shares were exercisable at December 31, 1972, and the remaining outstanding options become exercisable during 1973 and 1974. In addition, 10,300 shares of Common Stock were reserved as of December 31, 1972 for grant of options under Qualified Stock Option Plans for Officers and Other Key Employees. Options under these Plans are exercisable during the five-year period subsequent to date of grant, at prices not less than market prices on the dates such options are granted.

## 7. Capital Stock

In the payment of both dividends and any preferential liquidation, the $1.70 Cumulative Convertible Preference Stock will share ratably with the $1.10 Cumulative Preferred Stock. In the event of liquidation or dissolution, the $1.70 Preference Stock will also be entitled to share ratably with the Common Stock on a share-for-share basis in the assets after payment of all preferential distributions if the liquidation is voluntary (subject to right of redemption) or, if the liquidation is involuntary, to share ratably with the Common Stock up to a limit of $30.00 per share (in addition to a $7.50 per share preferential distribution). Had involuntary liquidation taken place as of December 31, 1972, and based upon the accompanying balance sheet as of that date, the holders of the $1.70 Cumulative Convertible Preference Stock would have been entitled to receive an amount of $23,522,000 which amount includes the $6,361,000 stated value of such stock. Each share of $1.70 Cumulative Convertible Preference Stock is convertible into 1.7 shares of Common Stock. Had all such shares been so converted as of December 31, 1972, their total equity based upon the accompanying balance sheet would have been $27,324,000.

The $1.10 Preferred Stock is redeemable at prices (plus accrued dividends) declining from $20.50 per share on December 31, 1972 to $20.00 per share on July 2, 1979 and thereafter. Each year the Company is required to redeem and cancel 2.5% of the shares issued as at June 30, 1969.

The $1.70 Preference Stock is redeemable as a whole or in part on and after October 1, 1972 at prices (plus accrued dividends) declining from $36.05 per share to $35.00 per share on October 1, 1975 and thereafter.

An additional 1,000,000 shares of Preferred Stock with no par value have been authorized and no shares have been issued.

A total of 2,087,076 shares of Common Stock were reserved at December 31, 1972 for future issuance as follows:

| | |
|---|---|
| Conversion of $1.70 Cumulative Convertible Preference Stock (each share convertible into 1.7 shares) | 1,441,913 |
| Conversion of 6½% Convertible Subordinated Debentures at the rate of 45.455 shares for each $1,000 principal amount | 454,545 |
| Exercise of Common Stock options | 184,800 |
| Exercise of Common Stock warrants | 5,818 |
| | 2,087,076 |

## 8. Litigation

Numerous private civil treble damage actions with respect to the 1966 Sherman Act indictments relating to plumbing fixture sales during the period 1962 to 1966 have been brought against the Company. In 1972, the Company retroactively recorded a liability of $3,093,000 in the financial statements to reflect both the payments made in class settlements, which disposed of substantially all of these actions, and the few cases still pending. A charge of $1,480,000 which reflects the above liability net of income tax benefits of $1,613,000 has been made to Retained Earnings in the accompanying financial statements. Future actions based upon the indictment are barred by the statute of limitations.

A Federal Grand Jury in Los Angeles is conducting an anti-trust investigation of certain manufacturers of gas vent pipe, including the Company, and the Gas Vent Institute, of which the Company was formerly a member. Testimony has been received from a number of witnesses, including present and former personnel of the Company, and various records of the Company and others have been subpoenaed. Two civil anti-trust actions based upon matters related to the investigation are pending in the Northern District of California against seven manufacturers of gas vent pipe, including the Company. The complaints allege violations of the anti-trust laws in connection with activities of the Gas Vent Institute and seek treble damages in unspecified amounts, as well as injunctions against future violations. While it is not possible to determine the outcome of these litigations at the present time, the Company intends to defend them vigorously and does not believe they will have a material adverse effect on the financial position of the Company.

## Auditors' Report

To the Stockholders and the Board of Directors,
Wallace-Murray Corporation:

We have examined the consolidated balance sheets of Wallace-Murray Corporation (a Delaware corporation) and subsidiaries as of December 31, 1972 and 1971, and the related consolidated statements of income, retained earnings, capital stock and capital surplus and changes in financial position for the years then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the consolidated financial statements referred to above present fairly the financial position of Wallace-Murray Corporation and subsidiaries as of December 31, 1972 and 1971, and the results of their operations and the changes in financial position for the years then ended, in conformity with generally accepted accounting principles consistently applied during the periods.

Arthur Andersen & Co.

Arthur Andersen & Co.

New York, N.Y.,
February 1, 1973.

## Eight-Year Summary

| | | 1972 |
|---|---|---|
| **Operations** | Net Sales | $259,305,000 |
| | Income Before Income Taxes | 17,392,000 |
| | Federal and Foreign Income Taxes | 8,100,000 |
| | Net Income | 9,292,000 |
| | Depreciation | 7,366,000 |
| | Funds from Operations | 18,509,000 |
| | Interest Expense | 4,593,000 |
| **Financial Position** | Current Assets | $109,383,000 |
| | Current Liabilities | 29,876,000 |
| | Working Capital | 79,507,000 |
| | Current Ratio | 3.66 |
| | Long-Term Debt | 62,491,000 |
| | Stockholders' Equity | 89,488,000 |
| | Debt-Equity Ratio | .70 |
| **Comparative Statistics** | Number of Common Stockholders | 3,959 |
| | Number of Preferred Stockholders | 2,755 |
| | Average Number of Common Shares Outstanding | 2,975,974 |
| | Primary Earnings Per Common Share | $2.53 |
| | Average Number of Shares Outstanding, Assuming Full Dilution | 4,880,674 |
| | Diluted Earnings Per Share | $1.91 |
| | Dividends Per Share of Common Stock | $.60 |

All years have been restated to reflect companies acquired in poolings of interests transactions and the settlement of anti-trust litigation.

Diluted earnings per share assumes full conversion of $1.70 Cumulative Convertible Preference Stock, the exercise of Common Stock warrants and conversion of the Convertible Subordinated Debentures which were issued in May, 1971.

Simonds Saw and Steel Company was acquired by purchase in late December, 1965. Accordingly, the above Summary includes the Simonds balance sheet data at year-end 1965 and operating results for subsequent years.

| 1971 | 1970 | 1969 | 1968 | 1967 | 1966 | 1965 |
|---|---|---|---|---|---|---|
| $224,541,000 | $210,368,000 | $246,035,000 | $224,638,000 | $208,056,000 | $206,636,000 | $109,294,000 |
| 13,092,000 | 11,340,000 | 24,351,000 | 23,008,000 | 20,731,000 | 23,027,000 | 13,575,000 |
| 6,126,000 | 5,267,000 | 12,441,000 | 11,723,000 | 9,870,000 | 11,226,000 | 6,192,000 |
| 6,966,000 | 6,073,000 | 11,910,000 | 11,285,000 | 10,861,000 | 11,801,000 | 7,383,000 |
| 7,648,000 | 7,213,000 | 6,852,000 | 6,513,000 | 6,253,000 | 5,866,000 | 2,803,000 |
| 14,953,000 | 13,725,000 | 19,503,000 | 17,955,000 | 17,228,000 | 17,770,000 | 10,480,000 |
| 4,670,000 | 4,508,000 | 4,265,000 | 3,951,000 | 4,315,000 | 4,005,000 | 1,051,000 |
| | | | | | | |
| $102,326,000 | $ 85,268,000 | $ 92,541,000 | $ 84,294,000 | $ 82,584,000 | $ 85,096,000 | $ 77,398,000 |
| 29,734,000 | 23,951,000 | 32,629,000 | 28,085,000 | 27,549,000 | 24,579,000 | 24,789,000 |
| 72,592,000 | 61,317,000 | 59,912,000 | 56,209,000 | 55,035,000 | 60,517,000 | 52,609,000 |
| 3.44 | 3.56 | 2.84 | 3.00 | 3.00 | 3.46 | 3.12 |
| 66,770,000 | 62,936,000 | 58,001,000 | 58,523,000 | 61,179,000 | 67,231,000 | 67,494,000 |
| 83,952,000 | 80,619,000 | 79,999,000 | 72,548,000 | 64,704,000 | 62,258,000 | 52,668,000 |
| .80 | .78 | .73 | .81 | .95 | 1.08 | 1.28 |
| | | | | | | |
| 3,996 | 3,811 | 3,580 | 3,608 | 3,759 | 4,097 | 3,687 |
| 2,821 | 2,985 | 3,021 | 3,099 | 3,258 | 3,405 | 3,191 |
| 2,971,264 | 2,980,319 | 2,987,229 | 2,957,158 | 2,928,926 | 2,921,456 | 2,851,774 |
| $1.74 | $1.43 | $3.37 | $3.18 | $3.06 | $3.40 | $1.95 |
| 4,706,913 | 4,452,874 | 4,487,047 | 4,487,644 | 4,529,347 | 4,646,864 | 4,685,228 |
| $1.46 | $1.29 | $2.57 | $2.43 | $2.31 | $2.47 | $1.53 |
| $ .60 | $ .90 | $ .90 | $ .75 | $ .70 | $.675 | $.725 |

# Operating Groups

## Building Products

### Eljer Plumbingware

Thomas H. Valdes
Vice President-General Manager

Division Office: Pittsburgh, Pa.

Plants: Ford City and Scranton, Pa.; Marysville and Salem, O.; Bay St. Louis and Tupelo, Miss.

Products: Plumbing systems and fixtures including enameled cast iron and formed steel products, vitreous china, fiberglass, brass fittings and steel stampings

### Lawton-Scharf

Bob G. Bunday
Vice President-General Manager

Division Office: St. Petersburg, Fla.

Distributing Branches: St. Petersburg, Fla.; Americus, Ga.; Elkhart, Ind.; Hutchinson, Kans.; Tupelo, Miss.; Charlotte, N.C.; and Scranton, Pa.

Products: Plumbing supplies and building components for the mobile home industry

### Selkirk-Metalbestos

Robert J. Loveless
Vice President-General Manager

Division Offices: Brockville, Ontario; and London, England

Plants: Brockville, Ontario; Montreal, Quebec; and Barnstaple, England

Products: Gas vent systems, chimney systems, industrial chimneys and fireplaces

### Fiberglass Products

Robert L. Whiteman
Vice President-General Manager

Division Office: Wilson, N.C.

Plants: Springfield, O.; and Wilson, N.C.

Products: Fiberglass tubs, shower stalls, pipes, tanks and exhaust systems

### William Wallace

Harold R. Falkner
General Manager

Division Office: Belmont, Calif.

Plants: Belmont, Calif.; and Logan, O.

Products: Gas vent systems, chimneys and sheet metal products

### Dry

Hal S. Dry
Vice President-General Manager

Division Office: Winters, Tex.

Plant: Winters, Tex.

Products: Registers, grills and diffusers for heating and air-conditioning

## Power Components

### Schwitzer

Carol E. Hamilton
Vice President-General Manager

Division Office: Indianapolis, Ind.

Plants: Indianapolis and Elwood, Ind.; Rolla, Mo.; Stratford, Ontario; and Sao Paulo, Brazil

Products: Automotive and Diesel engine components including turbochargers, cooling fans, vibration dampers and fan drives

### Illinois Gear

Richard L. Durgin
Vice President-General Manager

Division Office: Chicago, Ill.

Plant: Chicago, Ill.

Products: Metallic and non-metallic custom-made industrial gears

## Cutting Tools

### Simonds Saw

William C. Haskins
Vice President-General Manager

Division Office: Fitchburg, Mass.

Plant: Fitchburg, Mass.

Products: Circular, band and hack saws; files; machine knives; circular cutters and steel specialties

### Simonds Canada Saw

Walter B. Hewus
Vice President-General Manager

Division Office: Granby, Quebec

Plants: Granby, Quebec; Brockville, Ontario; and Vancouver, B.C.

Products: Saws, machine knives, abrasive and diamond wheels and abrasive crude

### Simonds Abrasive

Benno A. Bernt
Vice President-General Manager

Division Office: Philadelphia, Pa.

Plants: Philadelphia, Pa.; Salem, Ill.; El Monte, Calif.; Arvida, Quebec; and Milan, Italy

Products: Grinding wheels and abrasive grains

### Simonds Steel

Charles H. Emery
Vice President-General Manager

Division Office: Lockport, N.Y.

Plant: Lockport, N.Y.

Products: Custom-made high quality alloy, tool and specialty steels

### Heller

Karl Philippi
Vice President-General Manager

Division Office: Newcomerstown, O.

Plant: Newcomerstown, O.

Products: Files, hammers and special tools

### Atrax

William C. Polkow
Vice President-General Manager

Division Office: Newington, Conn.

Plants: Newington, Conn.; and Claremont, N.H.

Products: Precision solid carbide tools and burs

## International Subsidiaries and Affiliates

Wallace-Murray Canada Limited

Wallace-Murray France S.A.R.L.

Wallace-Murray Limited (England)

Wallace-Murray G.m.b.H. (Germany)

Lacom Componentes Industriais S.A. (Brazil)

Sisma (Italy)

**Wallace-Murray Corporation**
Executive Office, 299 Park Avenue, New York, NY 10017

## Directors

John D. Ames, Jr.
Charles H. Dyson*†
Franklin H. Kissner*★
James A. McLean
Robert E. Palmer
Fred R. Raach*
James O. Wright

## Officers

Fred R. Raach
President and Chief Executive Officer

Charles V. Myers
Executive Vice President

Richard D. Castle
Senior Vice President—Finance
and International Operations

Robert J. Niehaus
Group Vice President

John C. Orr
Group Vice President

Joseph A. Abbott
Vice President—Corporate
Communications

Arthur J. Andersen
Vice President and Corporate Secretary

John H. Long, Jr.
Vice President—Industrial Relations

J. Robert Aydelotte
Controller

Fred W. Peters
Treasurer

Robert A. Sherman
General Counsel

## Transfer and Disbursing Agent

First National City Bank
111 Wall Street, New York, N.Y. 10015
Common Stock—
$1.70 Cumulative Convertible
Preference Stock and Warrants—
$1.10 Cumulative Preferred Stock—
6½ % Convertible Debentures—

## Registrars

Bankers Trust Company
16 Wall Street, New York, N.Y. 10015
$1.70 Cumulative Convertible
Preference Stock
Manufacturers Hanover Trust Company
4 New York Plaza, New York, N.Y. 10015
Common Stock

## Auditors

Arthur Andersen & Co.
1345 Ave. of the Americas, New York, N.Y. 10019

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*Members of Executive Committee
†Chairman of the Finance Committee
★Chairman of the Board

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Text: Mark Strage
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